NISA Handbook

A Policy and Administrative Guide to the Net Income Stabilization Account (NISA) Program

1999 Stabilization Year

READ THIS FIRST

As a participant of the NISA Program, it is your responsibility to:

- understand the Program rules and to ensure they are met even if you are using the services of a third party;
- adhere to Program deadlines when submitting applications, DWON responses and when making deposits, even if your account is "on hold" as a result of an audit. An application or withdrawal request incorrectly completed or mishandled by a third party remains your responsibility; and
- maintain all books and records to support your account information. This information must be retained for the same length of time as books and records maintained under Section 230 and Regulation 5800 of the *Income Tax Act*.

Providing false information or breaching any of the Program conditions may result in a loss of benefits or may make you ineligible to hold an account. Any deposits made to Fund 1 may be returned along with earned interest. Any government contributions, interest bonus or other accumulated interest in Fund 2 may be returned to governments.

❖ Mark These Dates on Your Calendar ❖

June 15, 2000	➢ Non-Penalty Application Deadline for **individuals** (including Special Individuals, Status Indians, and trusts)
June 30, 2000	➢ Non-Penalty Application Deadline for **corporations, cooperatives** and **communal organizations**
December 31, 2000	➢ Final Application Deadline (with reduction in deposit entitlements) ➢ Deposit / Withdrawal Deadline ➢ 2000 Interim Withdrawal Application Deadline ➢ Final Application Deadline for the **1998 and 1999 Expanding Farms Trigger Adjustment**

Important: *The printing date of this edition of the NISA Handbook is January 2000. Program changes made after this date are not reflected.*

Agriculture and Agri-Food Canada
Policy Branch
Net Income Stabilization Account (NISA) Administration
January 2000

Our Declaration of Quality Service

Dear Producer:

We are pleased to provide you with the latest edition of the NISA Handbook. This Handbook was developed and designed for you, as a participant of the Net Income Stabilization Account (NISA) Program, to help you understand the policies which govern the administration of the program.

At the NISA Administration, we are committed to delivering quality service by the most cost effective means. We respect your needs and strive to ensure your satisfaction. Based on feedback from participants, we have developed the following service standards:

We will make every reasonable effort to:

- process your application and send you a Deposit/Withdrawal Options Notice (DWON) within 60 days of receiving your properly completed application;
- process your DWON withdrawal and interim withdrawal requests within 30 days of receiving the request;
- respond to your telephone inquiries within 2 days and to your faxed or written inquiries within 15 days of receiving them;
- provide you with an Annual Account Statement by the end of February each year;
- continue to provide you with accurate and understandable information concerning your account and the NISA Program.

Note: Our failure to meet these commitments will not result in any basis for a claim.

Should you have any comments or suggestions for improvements to the NISA Handbook, or any area of service, please write to us at the following address:

NISA Administration
Attention: Program Promotion and Client Consultations
P.O. Box 6100
Winnipeg, Manitoba R3C 4N3

NISA Administration Staff

Table of Contents

Introduction 1

Part 1 ◆ The NISA Program 2

1.1 The Canadian Farm Safety Net System 2

1.2 How NISA Works 2

1.3 How Your Money Grows in a NISA Account 3

Part 2 ◆ Participating in NISA 4

2.1 Who is Eligible 4
2.1.1 Individuals 4
2.1.2 Landlords With Crop Share Rental Income 4
2.1.3 Status Indians 5
2.1.4 Partnerships 5
2.1.5 Entities 5
2.1.6 Trusts 6

2.2 Program Participation 6
2.2.1 Steps in the Participation Process 6
2.2.2 Annual Account Statement and AGR-1 7
2.2.3 Keep Your Records 7
2.2.4 Administrative Cost Share (ACS) 8

2.3 Completing the Application 8
2.3.1 Income 8
2.3.2 Expenses 9

2.4 Deadlines 9
2.4.1 Application Deadlines 9
2.4.2 Consequences of Not Submitting an Application 10
2.4.3 Deposit/Withdrawal Deadline 10
2.4.4 Interim Withdrawal Application Deadline 11
2.4.5 Adjustment Deadline 12

2.5 Reporting Farming Income or Loss **13**
2.5.1 Eligible Net Sales (ENS) 13
2.5.2 Preferred Method of Accounting 14
2.5.3 Point of Sale Guidelines 14
2.5.4 Inventory Adjustments 15
2.5.5 Payment in Kind 15
2.5.6 Futures 15

Part 3 ◆ Your NISA Account **16**

3.1 Fund 1 and Fund 2 ..... **16**
3.1.1 Where Your Funds Are Held 17
3.1.2 Opening a Financial Institution Account 17
3.1.3 Transferring Your Account to Another Financial Institution 17
3.1.4 Account Balance Limit 18
3.1.5 No Legal Exemption 18

3.2 Interest Earned on the NISA Account **19**
3.2.1 Interest Sources 19
3.2.2 Interest Rates 19
3.2.3 The 3% Interest Bonus 19

3.3 Deposits **20**
3.3.1 Matchable and Non-Matchable Deposits 20
3.3.2 Making a Deposit 20
3.3.3 Deeming a Deposit 21
3.3.4 Tax Implications of Deeming a Deposit 21
3.3.5 Automatic Deeming 21
3.3.6 Pre-Deposits 22
3.3.7 Excess Deposits 22
3.3.8 Annual Deposit Limits for Individuals 22
3.3.9 Annual Deposit Limits for Entities 22

3.4 Withdrawals **23**
3.4.1 Requesting a Withdrawal 23
3.4.2 Withdrawal Calculations
24
3.4.3 Stabilization Trigger
24
3.4.4 Stabilization Trigger Adjustment for Expanding Farm Operations
24
3.4.5 Minimum Income Trigger
26 3.4.6 Minimum Income Trigger - Entities
27
3.4.7 Refusing A Withdrawal
28

3.4.8 Debts Due to the Crown
28
3.4.9 Interim Withdrawals
28

3.5 Account Transfers 30
3.5.1 Legal Separation 30
3.5.2 Transferring an Individual Account to a Corporate Account 31
3.5.3 Communal Organization Transfers 32
3.5.4 Estate Accounts 32
3.5.5 Other Transfers 33

3.6 Closing Your NISA Account 33
3.6.1 Voluntary Opt Out 33
3.6.2 Mandatory Opt Out 35
3.6.3 Rejoining 35
3.6.4 Individuals Leaving Entities 36

3.7 Taxation Rules and Implications 36

Part 4 ◆ Program Management 38

4.1 Producer Appeals 38
4.1.1 Appeals Sub-Committee 38
4.1.2 What Can You Appeal? 38
4.1.3 Submitting An Appeal 39
4.1.4 The Appeal Process 39
4.1.5 If Your Appeal Is Denied 40

4.2 Audits and Verification 40

4.3 Privacy 41

4.4 National NISA Committee 41
4.4.1 Structure 41
4.4.2 Roles and Responsibilities 41

Appendix A ◆ Definitions 43

Appendix B ◆ Qualifying Point of Sale Adjustments 45

Index 46

Introduction

***NISA** allows you to annually deposit money into your individual NISA account and receive matching contributions from the federal government and participating provincial governments.*

Authorized by the *Farm Income Protection Act (FIPA)*, the Net Income Stabilization Account (NISA) Program is designed to help you achieve long-term income stability on your farm. The NISA Program allows you to annually deposit money into your individual NISA account and receive matching contributions from the federal and participating provincial governments.

The NISA Handbook is designed to explain the NISA Program to participants. It contains general information only and is not intended to be a substitute for the legislation and any federal/provincial agreements which are the legal authorities for the NISA Program, copies of which are available upon request.

Part 1 - *The NISA Program* provides an overview of the program and explains how NISA fits into Canada's farm safety net policy.

Part 2 - *Participating in NISA* explains what you need to know to participate in the program such as eligibility requirements, the application process, and program deadlines.

Part 3 - *Your NISA Account* will help you understand the key elements of your NISA account: making deposits, requesting withdrawals, determining earned interest on your account, and transferring or closing your NISA account.

Part 4 - *Program Management* explains the appeal process, how the NISA Administration works to ensure compliance of Program rules while remaining accountable to producers and governments.

Appendixes

Appendix A - Definitions
Appendix B - Qualifying Point of Sale Adjustments

Part 1 ❖ The NISA Program

1.1 The Canadian Farm Safety Net System

The Net Income Stabilization Account (NISA) Program is part of Canada's farm safety net framework. These safety net programs, funded and delivered to farmers by the federal and provincial governments, provide assistance to help maintain and strengthen our agricultural industry consistent with our international trade obligations.

NISA is specifically designed to provide individual-level financial assistance with the objective of stabilizing the income of agricultural producers, irrespective of the commodities they produce. In this way, we refer to the NISA Program as whole-farm. Generally, all primary agricultural commodities except those covered by supply management (dairy, poultry and eggs) are covered by NISA.

1.2 How NISA Works

To participate in NISA, you must:

- annually submit a completed application before the deadline;
- open a NISA account at a participating financial institution of your choice by the deposit/withdrawal deadline, as indicated on your Deposit/Withdrawal Options Notice (DWON). *Please note that your financial institution's role is to accept your NISA Fund 1 deposits. If you have any questions regarding your NISA account or how the NISA Program works, please call the NISA toll-free line.*

Non-Penalty Application Deadlines

June 15
All Individuals

June 30
Corporations,
Cooperatives,
Communal Organizations

If you conduct farming business as an individual (sole-proprietor), you will complete Form T1163, *Statement A -- NISA Account Information and Statement of Farming Activities for Individuals.* This form and related schedules can be found in the *Farming Income and NISA* guide published by Canada Customs and Revenue Agency. Corporations (including cooperatives and communal organizations), trusts, and Status Indians who farm on reserves and who do not file an income tax return, must use a separate NISA application.

When you submit the completed application, the NISA Administration will process your application, calculate your deposit and withdrawal entitlements, and send you a *Deposit/Withdrawal Options Notice* (DWON). (See p. 6, *2.2.1. Steps in the Participation Process*)

The portion of your NISA account which holds your deposits is referred to as Fund 1 and is held in a participating financial institution of your choice. The Fund 2 portion of your NISA account, which is held in Canada's Consolidated Revenue Fund, holds the government matching contributions and all accumulated interest on both Fund 1 and Fund 2.

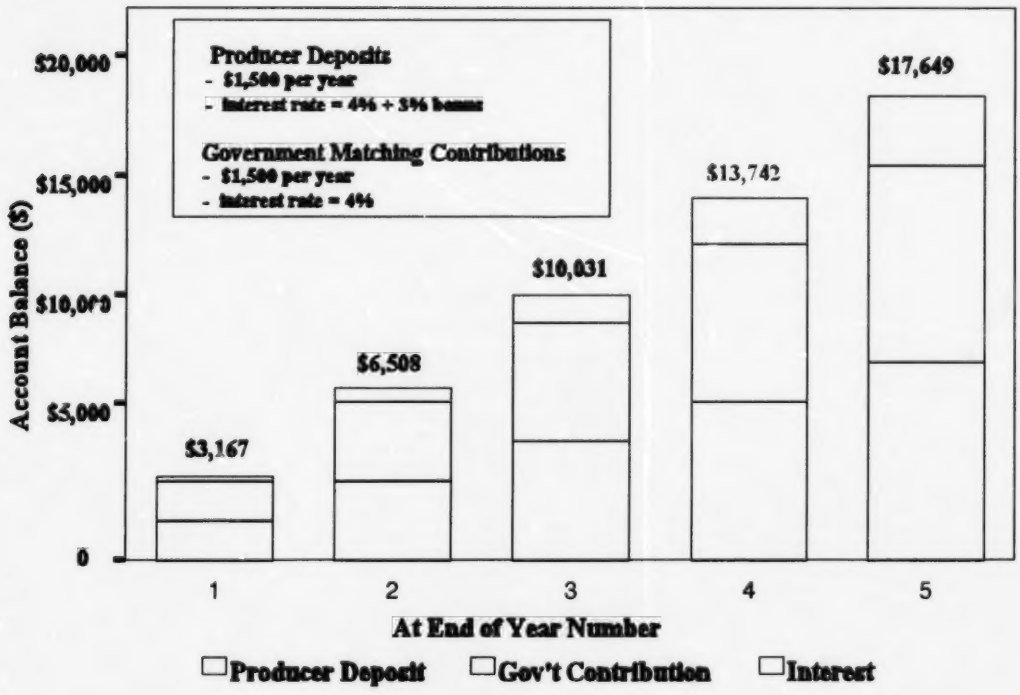
All NISA participants pay an Administrative Cost Share (ACS) to help pay for the costs of delivering the NISA Program. The ACS is charged for every year the NISA accounts remains open, even if an application has not been filed.

1.3 How Your Money Grows in a NISA Account

With NISA, you can annually deposit up to 3% of your Eligible Net Sales (ENS) into your NISA account and receive matching government contributions. You can also deposit an additional 20% of your Eligible Net Sales into your account. Although these deposits are not matched by governments, they still earn the 3% interest bonus over and above regular interest rates offered by your financial institution. Your account balance is limited to 1.5 times your average ENS in the most recent five years. (See page 18, *3.1.4 Account Balance Limit*)

For example:

If you have $50,000 in Eligible Net Sales (ENS) and deposit $1,500 into your NISA account, the federal and provincial governments will together match this with $1,500. If the competitive interest rate is 4%, a total of 7% will be earned on this initial deposit (4% by your financial institution + 3% interest bonus). If you continue to deposit $1,500 per year for five years and the competitive rates remain at 4%, your NISA account will have grown to $17,649. In years of lower income, you can withdraw from your NISA account to make up for the income shortfall.



Part 2 ❖ Participating in NISA

2.1 Who is Eligible

To be eligible to participate in NISA, you must either:

A] file a Canadian income tax return reporting farming business income (or loss);

or

meet the eligibility criteria for participating through an entity such as a corporation, cooperative, or communal organization which files a Canadian income tax return reporting farming business income/loss;

and

B] open a NISA account at a participating financial institution of your choice by the deposit/withdrawal deadline.

All active participants will automatically receive the NISA application package either from Canada Customs and Revenue Agency as part of their income tax package or from the NISA Administration. If you have not received your application package or wish to participate in NISA for the first time, contact the NISA Administration at 1-800-665-6472.

Individuals
(including partners in a partnership)
must complete
Form T1163
Statement A -- NISA Account Information and Statement of Farming Activities for Individuals

2.1.1 Individuals

To participate in NISA as an individual (sole proprietor), you must complete Form T1163, *Statement A -- NISA Account Information and Statement of Farming Activities for Individuals* found in the Farming Income and NISA Joint Forms and Guide package.

2.1.2 Landlords With Crop Share Rental Income

If you are a landlord receiving rental income on a crop share basis, you can participate as an individual using Form T1163. Crop share rental income is only eligible to the extent that the income received by the landlord results from sharing both price and yield risks with the tenant.

Crop share rental income received by a landlord entity, such as a corporation, cooperative or communal organization, is eligible to the extent of the entity's Eligible Net Sales limit and providing the entity eligibility criteria are met. Entities must complete the Corporation/Cooperative application.

2.1.3 Status Indians

Status Indians farming on reserves who do not file a tax return should complete the *Special Individual* application.

Status Indians farming on reserves who do not file a tax return may also participate by completing the *Special - Individual* application available from the NISA Administration, and should disregard any references to Canada Customs and Revenue Agency or income tax in this Handbook. All source documents that may be required under the *Income Tax Act*, such as sales invoices, purchase vouchers, bank records, ledgers and journals, must be retained.

2.1.4 Partnerships

Partnerships: Each participating member of the partnership must hold a separate NISA account and must submit Form T1163.

Each participating member of a partnership holds a separate NISA account and, in order to participate in NISA, must:

- submit an application reporting all of the partnership's income and expenses;
- list the names of the partners and each partner's share of the partnership income on the Partnership Information area of the application; and
- provide each partner's percentage share based on the allocation of Partnership Net Income/Loss made for tax purposes unless interest has been paid on partner's capital or salaries have been paid to partners. In this case, the interest and salary amounts are excluded in determining each partner's percentage share.

If you are involved in more than one farming operation that is either a sole proprietorship or a partnership, you must complete Form T1163, *Statement A -- NISA Account Information and Statement of Farming Activities for Individuals* for one of the operations and Form T1164, *Statement B -- NISA Account Information and Statement of Farming Activities for Additional Farming Operations* for each of the others. All statements should be submitted together in one package.

2.1.5 Entities

Corporations, cooperatives and communal organizations must complete the *Corporation/Co-operative* application.

A farming business entity, such as a corporation, cooperative, or communal organization, holds a NISA account on behalf of its shareholders or members. An entity's annual Eligible Net Sales (ENS) limit is based on allocations from its eligible shareholders or members.

To be able to allocate ENS, **shareholders in a corporation** *must actively participate in the corporation's day-to-day farming operations*

and *hold at least 10% of the corporation's outstanding common shares* (voting and non-voting).

Where another entity, such as a **holding company**, is a shareholder, the qualifying individual shareholders of the holding company must trace their percentage of common shares through the holding company to the farming corporation.

Members of a cooperative organization must actively participate in the cooperative's day-to-day farming operations. A member may hold less than 10% of the members' equity of the cooperative.

A **communal organization** holds an account on behalf of its members who actively participate in the organization's day-to-day farming operations.

Deposit limits are outlined on page 22, *3.3.9 Annual Deposit Limits for Entities.*

2.1.6 Trusts

Trusts must complete the *NISA Special Individual* application.

Trusts are treated as individuals for NISA purposes, with one ENS limit of $250,000. As such, a trust is eligible to hold an account based on the rules for the individual for which the trust was created:

- all trusts must file the "Individual Special" NISA application form; and
- all trusts are allowed one $20,000 allocation for the minimum income threshold, regardless of the number of beneficiaries.

Note: net income for NISA purposes is the income before the disbursements are made to the beneficiaries.

2.2 Program Participation

2.2.1 Steps in the Participation Process

Step 1: **You complete and submit your application** by the application deadline (See p. 9, *2.4.1. Application Deadlines)*

Step 2: **NISA calculates your benefits and issues a DWON.** The NISA Administration will calculate your benefits based on the financial information reported on your application and will send you a *Deposit/Withdrawal Options Notice (DWON)* explaining the amounts you are entitled to deposit or withdraw.

To participate in NISA, you must annually submit a NISA application **and** open a NISA account at a financial institution by your Deposit/Withdrawal due date.

Missing the deposit / withdrawal deadline will result in a loss of benefits.
See p. 10, *2.4.3 Deposit/ Withdrawal Deadline*

Step 3: **If you are a new participant in NISA, you must open a NISA account at a participating financial institution by the DWON due date**. If you do not open an account by the DWON due date, you will not be considered a NISA participant and will not be entitled to any benefits. (See p. 17, 3.1.2 Opening a Financial Institution Account and p. 21, 3.3.5 Automatic Deeming)

Step 4: **You deposit or request a withdrawal:** Make your full matchable deposit at your financial institution by the due date. You do not need to send in the deposit slip provided by your financial institution because your financial institution will notify the NISA Administration that a deposit was made.

To request a withdrawal (and/or deem a deposit), you must return the tear-off portion of the DWON (Part 2) by the due date specified on your DWON. (See p. 21, *3.3.3 Deeming a Deposit* and p. 23, *3.4.1 Requesting a Withdrawal*).

Note: If you have already returned your DWON response and are entitled to an additional deposit and/or a withdrawal, you can submit your request in writing or call the NISA toll-free line. Remember to include your name and your NISA PIN.

Step 5: **Your transactions are confirmed.** The NISA Administration will process your account and send you a *Confirmation Notice* confirming your account transactions.

2.2.2 Annual Account Statement and AGR-1

In February of each year, you will be issued an Annual Account Statement showing your deposits, matching government contributions, interest earned, withdrawals, Fund 1 and Fund 2 balances, adjustments, taxable amounts and your total account balance.

An AGR-1 *Supplementary - Statement of Farm Support Payments* tax information slip will be issued if you receive benefits in excess of $100 .

2.2.3 Keep Your Records

Please keep copies of the following information which may be required to complete a more detailed review after the initial processing of your NISA application:

- for all individuals (including trusts and Status Indians), a copy of the NISA application;
- for entities, a copy of the NISA application and related documents, including a Statement of Farming Activities submitted to Canada Customs and Revenue Agency; and
- all income and expense records required by Canada Customs and Revenue Agency.

2.2.4 Administrative Cost Share (ACS)

All NISA participants pay an Administrative Cost Share (ACS) to help cover their share of NISA's administrative costs. The ACS is automatically deducted from the account (Fund 2) when your application is processed. The ACS is a deductible expense for tax purposes. The annual cost to maintain your account is $55.00 per account and is charged for as long as the account is open (even if you do not submit an annual NISA application). Corporations, cooperatives and communal organizations also pay an additional $10.00 for each participating shareholder/member. The Minister of Agriculture and Agri-Food Canada may adjust this annual share from time to time after consultation with the National NISA Committee.

2.3 Completing the Application

Eligible Net Sales (ENS):
SALES of qualifying commodities
less *PURCHASES of qualifying commodities.*

2.3.1 Income

The information required on your application includes the income generated from qualifying and non-qualifying commodity sales and program payments, as well as income generated from other farming activities, such as contract work, machine rentals, etc. This breakdown of your farming income is required for two reasons:

1. To determine the Eligible Net Sales used to calculate your maximum deposit entitlements (both matchable and non-matchable). For that, qualifying sales must be separated from non-qualifying sales. (See p. 20, *3.3 Deposits*)
2. To calculate your current year Gross Margin to determine your Stabilization Trigger. For that, we need to calculate the net sales of all your agricultural commodities. (See p. 23, *3.4 Withdrawals*)

Income from commodity sales is determined in accordance with the point of sale guidelines outlined on p. 14, *2.5.3 Point of Sale Guidelines.*

2.3.2 Expenses

Expenses are broken down into three categories:

1. **Commodity Purchases and Repayment of Program Benefits** are deducted from your gross commodity sales to determine your net sales of both qualifying and non-qualifying commodities. These calculations are required to determine your Eligible Net Sales and your Gross Margin.

2. **Eligible Expenses** are the operating or input expenses used to produce your agricultural commodities. Eligible expenses are deducted from the net sales of all your agricultural commodities to determine your Gross Margin. Examples include salaries and wages, containers, twine, fertilizers, crop insurance premiums, pesticides, etc.

3. **Non-Eligible Expenses** include interest and capital-related expenses. Examples include machinery lease payments, land clearing, interest, property taxes and rent. These expenses are excluded from the Gross Margin calculation so that withdrawals are not triggered by increases in interest costs and capital cost allowance resulting from capital purchases.

Note: For a complete list of eligible and non-eligible expenses, refer to the NISA Forms and Guide.

All salaries and wages are included as eligible expenses.

2.4 Deadlines

APPLICATION DEADLINES
June 15 - Individuals
June 30 - Entities

Final Deadline
December 31
with reduction in deposit entitlements

2.4.1 Application Deadlines

FULL ENTITLEMENT DEADLINE:

- ***June 15*** *Applications completed by **individuals** including trusts, Status Indians, and partners in a partnership.*
- ***June 30*** *Applications completed by **corporations, cooperatives and communal organizations**.*

Reduced Entitlement Deadline:

All applications **postmarked after the full entitlement deadline up to and including December 31** will be subject to a 5% per month reduction in deposit entitlements.

Applications received after December 31 will not be accepted except where recommended by the Appeals Sub-Committee of the National NISA Committee. (See p. 38, *4.1 Producer Appeals*)

When the application deadline falls on a Saturday, Sunday, or a statutory holiday, applications must be postmarked no later than the next business day.

IMPORTANT: You are responsible for ensuring that your NISA application is completed and submitted by the deadline, and received by the NISA Administration. The NISA Administration recommends that you use registered mail to ensure your application is received. An application incorrectly completed by a third party remains your responsibility.

2.4.2 Consequences of Not Submitting an Application

The consequences of not submitting an annual NISA application are as follows:

1) If you miss one year by not completing and submitting an annual NISA application, or if you fail to submit an application by the final application deadline (December 31), you will:

   - not be entitled to make a deposit or request a withdrawal for that stabilization year;
   - not be entitled to the 3% interest bonus on your account for the year; and
   - have your Eligible Net Sales and Gross Margin recorded as "0" for the year. This will reduce your Account Balance Limit and affect the calculation of future withdrawal entitlements; (See p. 18, *3.1.4 Account Balance Limit*) and

2) ***If you do not complete and submit the annual NISA application for one year and then miss submitting an application for the following year by the full entitlement deadline, your account will be closed automatically.*** Your account balance will be paid out to you in one lump sum and you must miss two full years of participation before you are eligible to rejoin the Program. (See p. 35, *3.6.2 Mandatory Opt Out*)

2.4.3 Deposit/Withdrawal Deadline

Participants making a deposit or requesting a deemed deposit or a withdrawal must do so by **December 31 or sixty (60) days following the DWON issue date, whichever is later**. (See p. 21, *3.3.3 Deeming a Deposit*) When the deposit/withdrawal deadline falls on a Saturday, Sunday, or a statutory holiday, deposits will be accepted on

DEPOSIT / WITHDRAWAL DEADLINE

December 31 or 60 days following DWON issue date, whichever is later.

MISSING YOUR DWON?

If you have not received your DWON after 60 days from the day you mailed your application, contact the NISA Administration.

the next business day. DWON responses must be postmarked no later than the next business day.

Your deposit must be made at your financial institution on or before the close of business on December 31 or sixty (60) days following the DWON issue date, whichever is later. **Please note that deposit cheques mailed to the NISA Administration will not be accepted and will be returned to you. It is your responsibility to make your NISA deposit at your financial institution by the December 31, 2000 deadline or your DWON due date (whichever is later). Late NISA deposits will not be accepted.**

If you are requesting a **deemed deposit** and/or a **withdrawal**, you must make your request on or before the deadline on your DWON. Faxed requests must be received by the NISA Administration before the end of that day, and mailed requests must be postmarked no later than that date.

IMPORTANT: *You are responsible for ensuring your DWON response is completed and submitted by the due date, and received by the NISA Administration. A DWON response incorrectly completed or mishandled by a third party remains your responsibility. The NISA Administration recommends you use registered mail to ensure that your DWON response is received.*

2.4.4 Interim Withdrawal Application Deadline

To be eligible for an interim withdrawal for the 2000 stabilization year (individuals and entities), you must:

- have submitted a NISA application for the 1999 stabilization year and received your Deposit/Withdrawal Options Notice;
- have an account balance that is sufficient to cover the interim withdrawal payment; and
- complete and submit the interim withdrawal application and worksheet with the required information postmarked or faxed by December 31, 2000.

To be eligible for an interim withdrawal for the 2001 stabilization year (entities only), you must:

- have submitted a NISA application for the 1999 stabilization year and received your Deposit/Withdrawal Options Notice;
- have an account balance that is sufficient to cover the interim withdrawal payment; and

- complete and submit the interim withdrawal application and worksheet with the required information postmarked on or before the last day of the entity's fiscal period.

2.4.5 Adjustment Deadline

If you change your address, you must **immediately** send the amended information to both the NISA Administration and the Canada Customs and Revenue Agency.

If you need to change the information that was reported on your Form T1163, T1164, or T1165 you must also send the amended information to the NISA Administration and the Canada Customs and Revenue Agency. This will ensure that the change is applied to your NISA account as well as to your income tax return. The deadline for you to make adjustments to the financial information originally submitted is three years from either:

- the mailing date indicated on the notice sent confirming your deposit or withdrawal (e.g., Confirmation Notice); or
- the date the application was received if it was not possible to determine your deposit or withdrawal options based on the information originally submitted.

When requesting an adjustment to a previously submitted application, make sure you clearly mark or highlight the changes on the amended application and/or outline the changes in an attached letter.

Adjustments made to Eligible Net Sales (ENS) must be material; that is, they must have an effect on the contribution amounts from governments. If an adjustment results in an increase in your ENS and your maximum matchable deposit, you may make an additional matchable deposit only if you initially maximized or made the full matchable deposit. Adjustments initiated by the NISA Administration that increase ENS are subject to the same requirement.

If an adjustment results in an increase in your withdrawal trigger, you will have the option of maximizing your deeming option, providing you initially used your entire triggered withdrawal to make your deemed deposit or if you have already made your full deposit at your financial institution. Adjustments of this nature must be substantiated with appropriate documentation as specified by the Administration.

A payment will not be issued as a result of an increase to a prior year triggered withdrawal. Withdrawal payments from your NISA account are based on the current stabilization year. Prior year adjustments will be processed to ensure your historical Gross Margin average is correct.

These adjustments will flow through to the current stabilization year calculation.

If you have been issued an amended Deposit/Withdrawal Options Notice (DWON) as a result of an account adjustment, you are required to complete and submit the DWON response to the NISA Administration or make any related deposits at your financial institution within sixty (60) days following the DWON issue date.

2.5 Reporting Farming Income or Loss

2.5.1 Eligible Net Sales (ENS)

Your NISA account is comprised of your deposits and contributions from governments based on your Eligible Net Sales (ENS).

ENS are the net sales of qualifying commodities determined in accordance with the point of sale guidelines. Qualifying commodities generally include most primary agricultural commodities except those covered by supply management (dairy, poultry and eggs).

Most primary agricultural commodities except those covered by supply management (dairy, poultry and eggs) qualify under the NISA Program.

Eligible Net Sales (ENS)	=	**Sales** of Qualifying Commodities	-	**Purchases** of Qualifying Commodities

For example:

	Gross sales of qualifying commodities	$ 55,000
less	Purchases of qualifying commodities *(Incl. seed, plants, livestock purchases)*	- $5,000
	Eligible Net Sales (ENS)	$50,000

For NISA purposes, individuals are limited to ENS of $250,000 per year. An entity's ENS limit is based on allocations from its eligible shareholders or members to a maximum of $250,000 per shareholder/member.

If you participate in NISA through more than one account, your individual ENS limit may be allocated among the various accounts. To do this, contact the NISA Administration in writing specifying how you want your ENS limit to be divided between your NISA accounts. Otherwise, the entire ENS limit will be allocated to the first application processed by the NISA Administration.

2.5.2 Preferred Method of Accounting

You must use the same method of accounting (cash or accrual) as you would use for income tax purposes. However, if you maintain accrual financial records, prepare accrual financial statements (using Generally Accepted Accounting Principles) and file on the cash basis to Revenue Canada, you can file to NISA on either the cash or accrual basis. You can change your method of accounting for Program purposes from cash to accrual following notification in writing to the NISA Administration. In the stabilization year you change your method of accounting, you will have to adjust the income and expenses reported to NISA by:

- including income and expenses previously recognized on the accrual basis and not yet recognized on the cash basis; and
- excluding income and expenses previously recognized on the cash basis and not yet recognized on the accrual basis.

Once you change your method of accounting from cash to accrual for NISA Program purposes, you must continue to report income and expenses on an accrual basis until the account is closed.

You can adjust commodity sales to reflect **value added** *due to cleaning, storing, and shipping as long as the point of sale guidelines have been met.*

2.5.3 Point of Sale Guidelines

To be recognized as commodity income for NISA purposes, a commodity must meet all of the following conditions:

- it is separate and identifiable from other producers' commodities;
- you produced it on your farm;
- you bear full direct risk for it; and
- you have a separate billing or accounting transaction that clearly shows the commodity sales value and any deductions from that value.

You can report income generated from the use of commodities with commodity sales. For example, you can report income from pollination services with bee sales and stud fees with horse sales.

Note: Income derived from selling commodities that you did not produce on your farm is not eligible for NISA purposes.

Commodity sales can include point of sale adjustments and value added providing they meet the aforementioned criteria.

The current **point of sale guidelines** have been in effect since the 1994 stabilization year.

For a list of the most common qualifying point of sale adjustments, see Appendix B on p. 45.

2.5.4 Inventory Adjustments

Optional and mandatory inventory adjustments reported under cash accounting for income tax purposes are not included in the calculation of net sale or Eligible Net Sales for NISA purposes. However, this information is used in the calculation of the minimum income trigger.

2.5.5 Payment in Kind

A payment in kind occurs when you receive or give goods or services instead of money. The value of any commodity given as payment in kind (to another person) is reported as a commodity sale. If the payment was made to settle a business expense, it is also included as an offsetting expense.

The value of any commodity received as payment from another person is reported as an Eligible or Non-Eligible Expense using the applicable line code for the expense. If the commodity is sold, the sale is recorded as Other Farming Income. This allows the commodity to be properly reported for deposit entitlement calculations by the participant producing the commodity.

2.5.6 Futures

Transactions designed to hedge against commodity price fluctuations using commodity futures may be reported as commodity sales for NISA purposes providing:

- you reported the futures transaction as farming income for income tax purposes; and
- the transactions involved relate, in type and amount, to primary agricultural products produced on your farm.

The same criteria would be followed in the case of a commodity futures or hedging loss which would be reported as a commodity purchase. You must identify the type of commodity to which the futures transaction relates.

Income or expenses incurred from futures transactions realized from speculative activities on commodities that you did not produce is not eligible for program purposes.

Part 3 ❖ Your NISA Account

3.1 Fund 1 and Fund 2

Your NISA account has two components -- Fund 1 and Fund 2.

Fund 1 *(After-Tax Component)* holds your matchable and non-matchable deposits:

- Fund 1 withdrawals are not taxable; and
- Fund 1 is held at a participating financial institution of your choice.

Fund 2 *(Pre-Tax Component)* holds the federal contributions, provincial contributions and all interest earned on both funds. All withdrawals from Fund 2 are taxable on the date the transaction occurs. These include:

- withdrawal cheques paid to you;
- the deduction of the Administrative Cost Share from your account; and
- transfers from Fund 2 to Fund 1 to cover deemed deposits.

Withdrawals are taken first from Fund 2. Once the monies in Fund 2 have been depleted, the balance of your withdrawal request is drawn from Fund 1 to the extent that funds are available.

FUND 1	FUND 2
YOUR MATCHABLE DEPOSITS *PLUS* YOUR NON-MATCHABLE DEPOSITS	GOVERNMENT MATCHING CONTRIBUTIONS *PLUS* ALL INTEREST EARNED ON FUNDS 1 AND 2
• Fund 1 is held at a participating financial institution of your choice. • All your deposits earn a 3% interest bonus. *(All interest earned is transferred to Fund 2).* • Withdrawals from Fund 1 are not taxable. • Withdrawals from Fund 1 are only made if Fund 2 has been depleted.	• Fund 2 is held in Canada's Consolidated Revenue Fund (CRF). • Fund 2 earns interest at a rate equal to 90% of the previous month's average three-month Treasury Bill rate. • Money is not taxed until it is withdrawn. • Withdrawals are taken from Fund 2 first.
Account Balance Limit: 1.5 times the most recent 5 year average of your Eligible Net Sales including the current year.	

Your Fund 1 deposits are held at a participating financial institution of your choice.

3.1.1 Where Your Funds Are Held

As a requirement of participation in the NISA Program, you must open a NISA account at a participating financial institution of your choice by the due date on your Deposit/Withdrawal Options Notice (DWON). This account will hold all of your Fund 1 deposits. Participating financial institutions include most of the major chartered banks, credit unions and caisses populaires. Contact the NISA Administration for a list of participating financial institutions.

3.1.2 Opening a Financial Institution Account

To open a Fund 1 account at a financial institution, simply visit one of the many participating financial institutions and complete a *NISA Account Application* before your DWON due date. Your financial institution will forward this application to the NISA Administration. All deposits made to your account are reported monthly to the NISA Administration. **The NISA Administration will not accept cheques intended for deposit to your Fund 1. These cheques will be returned to you and it will be your responsibility to make the deposit at your financial institution by the due date.**

If you request a withdrawal from your account and funds need to be withdrawn from Fund 1, the NISA Administration will provide the financial institution with authorization to issue a payment.

3.1.3 Transferring Your Account to Another Financial Institution

Participants can only have one Fund 1 account. To transfer your account from one financial institution to another, contact the financial institution where the account is to be moved and complete a *NISA Account Application*. Your new financial institution will request the transfer through the NISA Administration, who will authorize your previous financial institution to close your NISA account and move the funds to the new institution. Any service fees that your financial institution may charge you for transferring your account may not be withdrawn from your NISA account.

Your account balance is limited to 1.5 times your average ENS in the most recent five years.

3.1.4 Account Balance Limit

Account balances, which include matchable and non-matchable deposits, government contributions, and earned interest, are limited to one and one-half (1.5) times the average Eligible Net Sales (ENS) in the most recent five-year period ending with the current year (or since the account was opened, if the account has been opened for less than five years).

For example, the limit for any individual who has reported the maximum allowable ENS ($250,000) in each of the most recent five years will be $375,000.

Once your balance reaches the account balance limit, you will not be permitted to make deposits into your NISA account and, as a result, you will not receive matching government contributions. You will, however, continue to receive interest on funds in the account.

If your account exceeds the limit, the amount by which the limit is exceeded will be paid directly to you. These funds are then taxable in the year they are received. All taxable NISA withdrawals appear on your annual account statement.

In cases where you have a triggered withdrawal option, you are entitled to make a withdrawal from your account which could bring the account balance below the limit.

The following example illustrates the account balance limit of a producer with average Eligible Net Sales of $100,000:

5 year average Eligible Net Sales*	$ 100,000
multiplied by 1.5	x 1.5
equals the account balance limit	$ 150,000

**If the account has been open for less than five years, the average Eligible Net Sales is calculated using the number of years available.*

NISA account balance limits are calculated each year when your application is processed. **Your account balance limit appears on your Deposit/Withdrawal Options Notice (DWON).** In years where your account is at the limit, you will also receive a special message on the DWON to reflect the options available to you.

3.1.5 No Legal Exemption

Accounts will be subject to the operation of laws relating to estates, bankruptcies, separations and divorces. Accounts will be paid out in the event of the death of a participant except in the case where the

account will be continued, subject to the rules of the Program, in the name of the spouse. (See p. 32, *3.5.4 Estate Accounts*)

In the event of bankruptcy, the trustee in bankruptcy assumes responsibility for the participant's account.

3.2 Interest Earned on the NISA Account

3.2.1 Interest Sources

Interest accumulating in Fund 2 has three sources:

- interest paid by financial institutions on the deposits they hold;
- interest paid by Canada on monies held in the Consolidated Revenue Fund; and
- the 3% interest bonus.

3.2.2 Interest Rates

Interest rates on Fund 1 deposits held in financial institutions are set by negotiation between the participant and the financial institution. Interest on Fund 2 in the Consolidated Revenue Fund is calculated monthly based on the average monthly balance. The interest rate is set monthly at 90% of the previous month's average three-month Treasury Bill tender rates.

3.2.3 The 3% Interest Bonus

The ***3% interest bonus*** *is paid in all years in which an application is received reporting Eligible Net Sales.*

Deposits made to your Fund 1 account earn a 3% interest bonus in addition to the interest paid by your financial institution. This interest bonus is jointly funded by the federal and provincial governments and is paid in all years for which a completed application is received reporting Eligible Net Sales. The interest bonus is calculated on the average monthly balance in Fund 1 and is credited annually on December 31.

Please note that the 3% bonus interest is ***not*** *applicable for any year in which you do not submit a NISA application reporting eligible net sales (ENS).*

3.3 Deposits

Important:
The NISA Administration will not accept cheques intended for deposit into your Fund 1. These cheques will be returned to you and it will be your responsibility to make the deposit at your financial institution by the deadline.

New! *Once you have made your NISA deposit, you may also make one or more withdrawals for any amount up to your remaining trigger entitlement in the same stabilization year.*

3.3.1 Matchable and Non-Matchable Deposits

You can make both matchable and non-matchable deposits to your NISA account based on your Eligible Net Sales (ENS) for the stabilization year. Your deposits must be made at the financial institution where your NISA account is held.

Matchable Deposit

The base contribution rate allows you to deposit **up to 3% of your ENS** and receive matching contributions cost-shared by the federal and provincial governments. Some provinces may offer enhanced matching contribution rates over and above the base 3% on specified commodities under separate companion programs.

Non-Matchable Deposit

You can make additional deposits of **up to 20% of your ENS**. Although these deposits will not be matched, they still earn the 3% interest bonus. Unused non-matchable deposit entitlements can be carried forward for five years.

Note: Making large non-matchable deposits may cause your account to exceed your account balance limit. This could limit your potential for making future matchable deposits and receiving matching government contributions. In addition, it may also result in forced withdrawals from Fund 2 of your NISA account. (See p. 18, *3.1.4 Account Balance Limit*)

3.3.2 Making a Deposit

The Deposit/Withdrawal Options Notice (DWON) will indicate the maximum matchable and non-matchable deposits you can make. Once you have made a matchable deposit (up to 3% of your Eligible Net Sales) at your financial institution, the government matching contributions will be credited to your Fund 2. Your matchable and non-matchable deposits must be made on or before the due date on your DWON. **If you make a deposit at your financial institution, do not return your DWON response to the NISA Administration.**

Note: Once you make a deposit, you may also request one or more withdrawals for any amount up to your remaining trigger entitlement. If you have already returned your DWON response, you may request the extra withdrawals (up to your remaining trigger entitlement) in one of two ways:

- submit your request in writing (remember to include your name and Personal Identification Number (PIN)) to the NISA Administration; or

- telephone the NISA Administration's toll-free line with your request.

3.3.3 Deeming a Deposit

Deeming is a feature that allows you to use your triggered withdrawal to make all or part of your matchable deposit. By using part of your triggered withdrawal to *deem* a deposit, you receive matching government contributions without having cash on hand to make your deposit. You do not receive any more government contributions by deeming than if you were to actually make a deposit.

Money withdrawn from Fund 2 to make a deemed deposit into Fund 1 is taxable in the year the withdrawal is made.

- If your DWON indicates that you have a withdrawal trigger, you can use your trigger to *deem* a matchable deposit and receive government contributions.
- If your triggered withdrawal is greater than your matchable deposit, you can deem your entire matchable deposit and withdraw the remaining amount of your trigger up to your account balance.
- If your triggered withdrawal is less than your matchable deposit, you can deem up to the amount of the trigger and deposit the difference at your financial institution.

3.3.4 Tax Implications of Deeming a Deposit

When a deposit is deemed using your triggered withdrawal, the money is withdrawn from Fund 2 and transferred to Fund 1 to make the matchable deposit. Money withdrawn from Fund 2 to cover a deemed deposit is taxable in the year the withdrawal is processed.

3.3.5 Automatic Deeming

If you have a withdrawal trigger and have not made your full matchable deposit or have not responded to your DWON by the deadline, the NISA Administration will automatically use your triggered withdrawal to make your matchable deposit (or part thereof).

If you are concerned about the tax consequences and do not want the NISA Administration to automatically deem your deposit, you must notify the NISA Administration in writing by December 31.

3.3.6 Pre-Deposits

You do not have to wait until you receive your DWON to make a deposit at your financial institution. Once you've submitted your NISA application, you can request a Calculation Worksheet to calculate your deposit entitlements.

Your deposit starts earning interest on the date it is credited to your account. The matching government contributions will be credited to your Fund 2 on the date the application is received or the date of your deposit, whichever is later.

3.3.7 Excess Deposits

Deposits received at your financial institution are always applied first to any matchable deposits and then the remainder is applied as a non-matchable deposit. If you have deposited more than both your matchable and non-matchable entitlement, the excess will be refunded. The 3% interest bonus is not paid on the excess deposit.

3.3.8 Annual Deposit Limits for Individuals

The maximum amount you can annually deposit into your NISA account is based on your Eligible Net Sales (ENS). Individuals are limited to $250,000 of ENS annually. You will be allocated the full ENS limit unless you allocate part of this limit to another account (i.e., one or more entities).

The following example illustrates the maximum deposit based on a participant reporting ENS of $250,000.

Matchable deposit limit - 3% of ENS	$7,500
Non-matchable deposit limit - 20% of ENS	$50,000
Total deposits (Fund 1)	$57,500
Government Matching Contributions (Fund 2)	$7,500
Balance of Fund 1 and Fund 2	$65,000

3.3.9 Annual Deposit Limits for Entities

If you participate in NISA through other accounts, your individual Eligible Net Sales (ENS) limit for the stabilization year in question

must be allocated among your individual account and any entities (e.g., corporations or cooperatives) through which you participate.

An entity's annual ENS limit is based on allocations from its participating shareholders or members. These individuals must allocate their annual $250,000 ENS limit among their own individual accounts and any entities through which they participate.

*An **entity**'s annual ENS limit is based on allocations from its participating shareholders or members.*

The upper limit on the amount you can allocate to a corporation or cooperative is determined by calculating your percentage of common shares/membership equity times the entity's qualifying net sales for the stabilization year in question.

Communal organizations are allowed one multiple of the $250,000 individual annual ENS limit for each member of the organization up to a limit of ten (10) members.

Cooperatives are allowed one multiple of the $250,000 individual annual ENS limit for each member of the cooperative, up to a maximum of $2.5 million annual ENS.

3.4 Withdrawals

To **request a withdrawal**, complete Part 2 of the DWON and return it to the NISA Administration by the due date.

3.4.1 Requesting a Withdrawal

If your Deposit/Withdrawal Options Notice (DWON) indicates that you are entitled to make a withdrawal, **you can request the amount you want to withdraw (up to the lesser of your maximum withdrawal entitlement or account balance) on the DWON response and return it to the NISA Administration postmarked by the due date**. Once your DWON response has been received, NISA will issue a payment or authorize a withdrawal from your financial institution using a Withdrawal Authorization Notice (WAN). Financial institutions are not permitted to make withdrawals from your account without this authorization.

As a NISA participant, you are responsible for accurately completing and submitting your DWON response by the due date. A withdrawal request incorrectly completed or mishandled by a third party (i.e. accountant or financial institution) remains your responsibility.

Withdrawals from your NISA account are paid in two steps:

Step 1: The Fund 2 taxable portion is paid by cheque from Canada's Consolidated Revenue Fund directly to you.

Step 2: The Fund 1 non-taxable portion is issued by the financial institution once the NISA Administration authorizes the financial institution to do so.

As a NISA participant, **you are responsible** for completing and submitting your DWON response by the due date. A withdrawal request incorrectly completed or mishandled by a third party remains your responsibility.

Beginning with the 1998 stabilization year, you can choose more than one withdrawal option.

- If you make a deposit or deem a deposit early in the year, you can still use your trigger to request one or more withdrawals. The total of your withdrawals for the year is limited by the amount of the trigger or your account balance, whichever is less. This request must be made on or before the due date on your DWON;
- If you request a withdrawal, later in the year you can still make or deem a deposit on or before the due date on your DWON. However, your deemed deposit plus the total of your withdrawal requests cannot exceed the amount of your trigger.

3.4.2 Withdrawal Calculations

Two methods are used to calculate the maximum withdrawal entitlement for the year:

- the Stabilization Trigger; and
- the Minimum Income Trigger

Withdrawals cannot exceed your account balance. If a payment is triggered under both the Stabilization and Minimum Income Triggers, the larger amount applies.

3.4.3 Stabilization Trigger

A withdrawal can be triggered from your NISA account when your farm's *current year Gross Margin* falls below the *Gross Margin average* from previous years (up to five). The *Gross Margin* is calculated by taking the *net sales* of all agricultural commodities, plus income from contract work and machine rental, minus *eligible expenses*.

For example:

Net commodity sales	$ 80,000
(less) Eligible expenses	- 60,000
Your *current year Gross Margin*	$20,000
Gross Margin average of past 5 years	$ 35,000
(less) Current year Gross Margin	- 20,000
Your potential NISA withdrawal	$15,000

Because the Stabilization Trigger calculation requires at least one previous year's history of farming income/loss, the Stabilization Trigger is not available until the second year for participants who have not established a retroactive gross margin history.

New NISA participants may retroactively establish a historical gross margin average based on the previous years (up to five) if they have reported farming income/loss in the years before the first year of participation.

Existing participants who have not established a historical gross margin average may also do so retroactively. An adjustment to a previous year's form may affect the gross margin average for subsequent years.

To establish a historical gross margin, contact the NISA Administration to obtain a *Retroactive Gross Margin Calculation Worksheet*.

3.4.4 Stabilization Trigger Adjustment for Expanding Operations

NEW! Beginning with the 1998 stabilization year, participants who expanded their farming operation may request an adjustment to their stabilization trigger.

In some cases, NISA participants who have expanded their farming operation have found they either did not trigger a withdrawal under the existing stabilization trigger, or the withdrawal they triggered was insufficient to meet their operational needs. This voluntary NISA Program feature allows producers who have expanded their operation to better reflect their financial circumstances under the stabilization trigger.

With the new adjusted trigger, participants whose current year eligible expenses exceed their average eligible expenses from the previous five years **by at least 15%**, may request to have their gross margin average increased proportionately. If you believe you meet these criteria and find that the withdrawal option on your Deposit/Withdrawal Options Notice (DWON) does not meet your operational needs, contact the NISA Administration to have your trigger adjustment calculated.

The following example illustrates how this option would work in the case of a participant who has expanded their farming operation and cannot trigger a withdrawal with the existing stabilization trigger.

IMPORTANT! Deadline to remember!

To request an adjustment for the 1998 or 1999 stabilization years, please contact the NISA Administration by December 31, 2000 or your DWON due date, whichever is later.

In 1999 the participant's gross margin is $65,000 and eligible expenses are $142,000. The participant's gross margins and eligible expenses from the previous five years are as follows:

	1994	1995	1996	1997	1998	5-year Average
Gross Margin	$45,000	$50,000	$58,000	$67,000	$80,000	$60,000
Eligible Expenses	$70,000	$80,500	$92,500	$107,000	$123,000	$94,600

Although the participant's gross margin has dropped significantly in 1999, the participant is not entitled to a withdrawal under the existing stabilization trigger because the current year gross margin is still higher than the average gross margin for the previous five years. However, this participant would be entitled to a withdrawal based on the trigger adjustment as shown in the following calculations:

- *the current year eligible expenses exceed the average eligible expenses by 50%.*
  - $142,000 - $94,600 = $47,400
  - $47,400 ÷ $94,600 = .5 (or 50%)
- *The participant's average gross margin is indexed upwards by 50% and becomes $90,000.*
  - .50 ($60,000) = $30,000
  - $30,000 + $60,000 = $90,000
- *The participant would have a withdrawal option of $25,000.*
  - $90,000 - $65,000 = $25,000

Note: This adjustment is available on request only. Participants must request the adjustment for each year they wish to exercise this option. The adjusted gross margin average will not be used in the calculation of future stabilization triggers. In addition, if you are in an interim withdrawal overpayment situation and are also entitled to an adjustment to your stabilization trigger, the NISA Administration will use the adjusted trigger to calculate your interim withdrawal overpayment.

3.4.5 Minimum Income Trigger

A withdrawal can be triggered from your NISA account when your *net income* from all sources falls below a *minimum income threshold* plus

your *current year maximum matchable deposit*. The minimum income threshold is $20,000 for an individual or $35,000 for a family.

For example:

Net income threshold	$ 20,000
Current year maximum matchable deposit	+ 1,000
(less) Net Income ***	- 6,000
Potential NISA withdrawal	**$15,000**

The family threshold may be used if:

- your spouse and/or dependants are not participating in NISA for the stabilization year in question; and
- you do not participate in NISA through any other account.

For beginning producers in the first year of participation, only the Minimum Income Trigger is available since a gross margin history is not available to calculate the Stabilization Trigger. After this, both triggers are in effect.

****As an individual, your net income is defined as:*

> *Net income: after removing the effects of inventory adjustments, plus net federal supplements, social assistance payments and workers' compensation payments that you have received, minus taxable capital gains relating to the foreclosure or forced sales of farmland.*

Family income includes your net income plus the net income of your non-participating spouse.

3.4.6 Minimum Income Trigger - Entities

If you apply as an entity (i.e., corporation, cooperative, or communal organization), the Minimum Income Trigger is based on the net income of the entity. For entities, net income is defined as:

> *Net income of the entity after removing the effect of inventory adjustments, minus taxable capital gains relating to the foreclosure or forced sale of farmland.*

Individuals shall annually allocate the $20,000 threshold between their individual account and any other entities through which they participate. The income threshold for entities is based on the allocation to the entity of individual thresholds from participating shareholders/members.

For communal and cooperative organizations, the maximum minimum income threshold that may be allocated to the organization by their members is $200,000.

3.4.7 Refusing a Withdrawal

You can refuse a withdrawal as long as your account balance is less than your average level of eligible net sales. However, if your account balance exceeds your average level of eligible net sales (ENS) from your most recent five years (including the current year), you may only refuse to withdraw your full entitlement **once** every five years.

The first year that your account has reached this level and you have a valid trigger, a message will be printed on your DWON to advise you of this. If you do not withdraw your full entitlement, the next year that your account is at or above this level and there is a valid trigger, you will be issued a mandatory withdrawal from your account. This will apply for as long as your account balance is at or above this level.

You can still maximize your deposit entitlement, however, as long as you do not exceed your account balance limit.

Automatic Pay Out of Withdrawal Entitlements: If you have already refused a withdrawal and your account still exceeds your five-year average ENS, the NISA Administration will use your triggered withdrawal to automatically deem your deposit and then pay out any remaining withdrawal entitlements for the year.

Note: If you want to calculate your average level of eligible net sales, it is equal to two-thirds of the account balance limit on your DWON.

3.4.8 Debts Due to the Crown

Upon request from the administrator of another agricultural program, debts due to the Crown may be deducted from any monies paid out of your account and applied to the debt. You will be notified of these offsets. Receivables due to the NISA Program, such as the Administrative Cost Share, will be automatically deducted from your Fund 2.

3.4.9 Interim Withdrawals

The interim withdrawal option, introduced in June 1998, allows you to receive funds from your account in the year in which your financial need arises. When you file your annual NISA application, the

triggered entitlement will be reduced by the interim withdrawal payment.

If you receive an interim withdrawal, you ***must*** submit your annual NISA application for the stabilization year relating to the payment **by the non-penalty deadline** (i.e., June 15 - individuals and June 30 - entities), or your account will be closed and you will have to miss two years of participation before you are eligible to rejoin the program.

Eligibility and Application Procedures

To be eligible for an interim withdrawal for 2000 (individuals and entities) or 2001 (entities only), you must:

- have submitted a NISA application for the 1999 stabilization year and received your Deposit/Withdrawal Options Notice (DWON);
- have an account balance that is sufficient to cover the interim withdrawal payment; and
- complete and submit the interim withdrawal application and worksheet on or before the deadline specified on the interim withdrawal Terms and Conditions. (See p. 11, *2.4.4 Interim Withdrawal Application Deadline*)

Application Package

Interim withdrawal applications, which include preprinted account information, are only available upon request from the NISA Administration. The application package contains an application form and a calculation worksheet. The worksheet will assist you in estimating your withdrawal entitlement for the current year based on such factors as your five-year gross margin average, projected income and expenses, and the estimated trigger available.

Service Standard for Issuing Cheques

The NISA Administration will make every reasonable effort to issue interim withdrawal cheques within 30 days from the date a properly completed interim withdrawal application is received.

Taxability of Interim Withdrawals

As with any other NISA payment, withdrawals are first taken from Fund 2 and are taxable in the year the cheque is issued. Taxable withdrawals from Fund 2 will be reflected on the NISA Annual Account Statement and the tax information slip (AGR-1) issued in February.

Annual NISA Application

If you receive an interim withdrawal payment, you *must* submit a NISA application for the stabilization year relating to the interim withdrawal **by the non-penalty deadline**, i.e., June 15 for individuals and June 30 for entities. If you fail to do so, you will be opted out of the NISA Program (see p. 35, *3.6.2 Mandatory Opt Out*). Participants who are mandatorily opted out will have their account balance paid out in full and must miss two years of participation before they are eligible to rejoin the Program.

NISA Trigger Calculation

When your NISA application for the stabilization year relating to your interim withdrawal is processed, your maximum triggered withdrawal entitlement will be offset by the interim withdrawal.

If the interim withdrawal exceeds the actual triggered withdrawal entitlement by more than 20%, an overpayment charge of 3% of the excess withdrawal amount is also applied.

For example:

Interim withdrawal payment	$10,000
Triggered withdrawal entitlement on DWON	$7000
Overpayment	$3000
Overpayment charge ($3000 x 3%)	$90

Repaying Overpayments

If you overestimated your interim withdrawal payment and have received a withdrawal greater than you were entitled, you will be advised by letter that you have 365 days to repay both the overpayment amount and any overpayment charge into your Fund 1 account held at your financial institution. Failure to do so will result in being mandatorily opted out of the program. Partial repayment does not result in an extension of the 365 day deadline and will not prevent you from being opted out of the Program.

3.5 Account Transfers

3.5.1 Legal Separation

In the event of divorce or separation, your account may be divided into two individual accounts according to the terms of a formal separation agreement, a voluntary divorce settlement agreement or court ordered or approved divorce settlement. The resulting accounts are administered according to the established rules. The separation

agreements referred to above must be in writing, signed by both parties with the signatures witnessed.

3.5.2 Transferring an Individual Account to a Corporate Account

A corporate account **cannot** be transferred to another corporate account. If a corporation ceases farming, it must close the account.

Two options are available to you if you decide to cease participating through your individual account in favour of participating through a corporation. You can either:

1. **Opt out and participate as a shareholder in a corporation**: You can close your individual account (i.e., request to opt out) and have all funds paid out to you. You can then participate in NISA as a shareholder in a corporation. (See p. 33, *3.6.1 Voluntary Opt Out*); or,

2. **Transfer your individual account to a corporate account:**

   To complete a transfer, you must

   (i) Notify the NISA Administration in writing of your intention to transfer your individual account to a corporate account before the mandatory opt out deadline for the individual (see p. 10, *2.4.2 Consequences of not submitting a NISA application*);

   (ii) open an account at a participating financial institution for the corporation by the corporation's DWON due date; and

   (ii) submit documentation to the NISA Administration showing that a legal transfer of the account funds has taken place in accordance with the *Income Tax Act*.

   One of the following documents must be provided:

   - **a copy of the original contract (or relevant sections) between you and the corporation** which identifies the assets being transferred and the related value. The Fund 2 portion of the NISA account must be listed as an asset which was transferred from the individual to the corporation. (This could include a Bill of Sale, or a Shareholder Agreement - the legal document indicating the disposition of the NISA Fund 2 account to the corporation); or,

   - **a written statement from you** which includes the target corporation's Business Number and the transaction date with a signed declaration that you have filed an election under

Section 85 of the *Income Tax Act* and that the Fund 2 account was included in this transfer; or,

- **a signed and dated copy of a T2057/T2058** which clearly shows that the NISA Fund 2 was included in the Section 85 transaction.

Include with your documentation a written statement which indicates the last year you will submit a NISA application as an individual participant.

3.5.3 Communal Organization Transfers

A communal organization may transfer a portion of its account to a group of its members which is separating from the organization and establishing a separate communal organization. The portion of the account to be transferred is based on the percentage of the commune's equity being transferred to the group.

3.5.4 Estate Accounts

A deceased NISA participant's account can be dealt with in three different ways:

1) **The account can remain open** under the estate name and will continue to be eligible to receive Program benefits. A NISA application reflecting income/loss reported to Canada Customs and Revenue Agency, on behalf of the estate, must be submitted annually by the Program deadline to keep the NISA account active. The NISA application should be prepared in the name of the deceased individual, noting "Estate of the Late..." and should be submitted along with a copy of the death certificate.

2) **The account can be transferred to the spouse**. All or part of the estate account can be transferred into a NISA account in the name of the spouse. The NISA Administration must be notified in writing of the intention to transfer the account before the mandatory opt out deadline of the Estate account. If the surviving spouse is continuing the farming operation, he/she must open a NISA account at a participating financial institution under his/her name in order for the transfer of funds to occur. The surviving spouse will then continue to participate as if the account had always been his/her own and is subject to all Program eligibility requirements (e.g., report farming income/loss for tax purposes, file an annual NISA application,

etc.) If the surviving spouse already has a NISA account, the two accounts will be merged.

To transfer the account to a spouse, the executor/executrix must submit the following documentation to the NISA Administration:

- a written request to transfer the account to the surviving spouse signed by the executor/executrix or administrator, with a statement indicating the last year a NISA application will be submitted for the deceased participant;
- a copy of the probated will or letters of administration/probate; and
- a copy of the death certificate.

Transfers to persons other than the surviving spouse are not permitted.

3) **The account can be closed and paid to the estate**. The executor/executrix should submit the following documentation to the NISA Administration in order to have the account paid out:

- a written request to close the account signed by the executor/executrix or administrator;
- a copy of the probated will or letters of administration/probate; and
- a copy of the death certificate.

3.5.5 Other Transfers

The only other transfers permitted are to trusts, and only to the extent that such transfers do not allow the participation rules to be circumvented.

3.6 Closing Your NISA Account

You can voluntarily **opt out** *of the Program at any time by providing written notice to the NISA Administration. Your account balance can be paid out in a lump*

The following opt out rules apply to all account holders wishing to close their accounts (e.g., active farmers, retiring farmers, or those leaving the sector) except in cases of estate transfers and transfers to related parties.

3.6.1 Voluntary Opt Out

You can close your account at any time by notifying the NISA Administration in writing that you wish to quit the NISA Program. In your letter, you must include the following information:

- your name and address;
- your NISA Participant Identification Number (PIN);

sum or in annual instalments over five years.

- the current date;
- your signature as the participant (or your designated representative); and
- the manner in which you would like to have your entire account balance paid:
  - in a lump sum; or,
  - in annual instalments paid out over a period of up to five years.

Your account will not be closed until you have exercised your current year (December 31st or your DWON due date, whichever is later) deposit/withdrawal options unless you indicate that you do not wish to exercise those options and would like your account closed immediately. If you close your account before exercising your current year options, you will not be allowed to exercise those options at a later date.

Voluntary Opt Out Payment Options

If you voluntarily quit the NISA Program, you can choose to have your entire account balance paid out either in a lump sum or in annual instalments over a period of up to five years. The lump sum payment may be deferred for up to six months from the date of your request.

If you choose to have your account balance paid out in annual instalments:

- payments may start immediately or in the second year after the year your last NISA application was submitted;
- annual payments must be at least 20% of your account balance and be for no less than $500.00;
- Fund 2 taxable amounts are withdrawn first;
- the remainder of your payments will be drawn from the non-taxable Fund 1 once your Fund 2 is depleted;
- the entire account balance will be paid out if the balance remaining in your account is $600 or less;
- the Administrative Cost Share will be charged for every year that there is a balance in the account.

Accrued interest will be included from the date of your previous payment. Please note that the 3% bonus interest is **not** applicable for any year in which you do not submit an application reporting eligible net sales (ENS).

The time required to process an opt out payment is greater than that of a regular Program withdrawal. When a NISA account is closed, the financial institution must submit the final interest payment on Fund 1 to the NISA Administration. As a result, this final payment may be issued later than other payments.

Note: Once the opt out payments have commenced, the opt out request cannot be reversed. If you wish to re-open your NISA account, you must follow the "Rejoining" procedures as outlined in section 3.6.3 page 36

3.6.2 Mandatory Opt Out

If you fail to complete and submit the annual NISA application for one year and then miss submitting your application the following year by the full entitlement deadline, your NISA account will be closed automatically and your participation in NISA will cease.

If you have received an interim withdrawal and do not submit your NISA application for the year to which it relates by the full entitlement deadline, your NISA account will be closed.

If you fail to repay an interim withdrawal overpayment and overpayment charge in full within the 365 day period allowed under the terms and conditions, your account will be automatically closed.

When your account is closed, the balance of your NISA account (Fund 1 and Fund 2) is paid out to you in one lump sum.

3.6.3 Rejoining

If you **voluntarily** opt out of the NISA Program, you may rejoin after not participating for one stabilization year if you redeposit all funds which were paid to you as a result of opting out. Otherwise, you must wait two consecutive years before rejoining.

For example, if 1997 was the last stabilization year in which you submitted an application and your account was closed during the 1998 stabilization year upon written request, you could rejoin NISA:

- in the 1999 stabilization year after having missed at least one year of participation, providing that you redeposit all funds which were withdrawn as a result of opting out; or
- in the 2000 stabilization year after not participating for two consecutive years (i.e., 1998 and 1999).

If your account was closed as a result of a **mandatory opt out**, you must miss two consecutive years of participation before you are eligible to rejoin the Program (this includes the one year missed before having your account closed).

For example, if you failed to submit an application for 1998 and you do not submit a 1999 application by the full entitlement deadline, your account will be closed and you will not be able to rejoin the Program until the 2000 stabilization year.

3.6.4 Individuals Leaving Entities

If you no longer qualify to participate through an entity, your share of the entity's account will be paid out to the entity.

If you no longer qualify to participate through an entity, your share of the entity's account will be paid out to the entity. The share of the account that is attributable to you is based on your percentage of common shares in the case of a corporation and membership equity in the case of a cooperative for the last year of participation.

If you participate through a corporation, you will be allowed to continue participating through the corporation for three stabilization years even if your percentage of common shares falls below 10%. However, you must continue to hold common shares and actively participate in the day-to-day farming operations of the corporation. If you participate through a cooperative, you may continue to participate for as long as you are a member of the cooperative and continue to meet the active participation criteria.

This provision does not apply to communal organizations. Their accounts continue as long as the organization exists.

(For more information, see page 5, *2.1.5 Entities)*

3.7 Taxation Rules and Implications

Based on Canada Customs and Revenue Agency rules:

- Fund 2 withdrawals are taxable in the year the cheque is dated and are always paid out first.
- Transfers from Fund 2 to Fund 1 will be taxable in the year the money is actually transferred. This includes triggered withdrawal amounts used to deem matchable deposits.
- Any debts due to the Crown which are collected from the Fund 2 account will be considered taxable income.
- Fund 2 withdrawals must be reported as investment income, not farming income, for income tax purposes.

- Agriculture and Agri-Food Canada will issue an *AGR-1 Supplementary - Statement of Farm Support Payments* tax information slip for taxable benefits over $100. Taxable benefits from NISA are also included on the bottom of the Annual Account Statement.

- The Administrative Cost Share (ACS) is deducted from Fund 2 and is taxable in the year it is withdrawn. The ACS may be reported as a business expense for tax purposes.

You should consult the *Income Tax Act* (ITA) for information on tax rules as they relate to the NISA Program. Canada Customs and Revenue Agency is responsible for the administration and enforcement of the ITA and should be consulted if you have any NISA-related tax questions.

Part 4 ❖ Program Management

4.1 Producer Appeals

Applications for appeal must be submitted **in writing** *to the Appeals Sub-Committee of the National NISA Committee.*

If you believe you have been treated unfairly or are dissatisfied with the NISA Administration's interpretation or application of a program policy or deadline, you can have your case reviewed by the Appeals Sub-Committee of the National NISA Committee.

4.1.1 Appeals Sub-Committee

The Sub-Committee, which consists of producer and government representatives, meets regularly based on the volume of appeals and the availability of members. Although the NISA Administration attends Sub-Committee meetings, their involvement is limited to providing factual information and secretariat services. The NISA Administration is not represented on the Sub-Committee.

Meetings of the Sub-Committee are closed to the public (including appellants and their representatives) to ensure that appellants remain anonymous to the members of the Sub-Committee. The anonymity of appellants is necessary to ensure appellants receive a fair and impartial review.

4.1.2 What Can You Appeal?

The Sub-Committee only reviews **written** submissions from the appellant and the Administration. After reviewing all of the factual information relevant to the case, the Sub-Committee recommends the acceptance or rejection of the appeal to the Administration. The Sub-Committee makes recommendations in accordance with the agreements or legislation governing the NISA Program or with decisions made by the National NISA Committee.

It is **your responsibility**, as a NISA participant, to understand the rules of the NISA Program and to ensure they are met even if you are using the services of a third party.

Generally, appeals involving appellants who have not complied with clearly defined program rules will not be supported unless they involve exceptional circumstances. Appellants, including those who use the services of a third party, are responsible for knowing and understanding program policies and deadlines.

The Sub-Committee may make exceptions on the basis of "Force Majeure" in cases involving exceptional circumstances, where the failure to meet the requirements of the NISA Program could not have been avoided by the exercise of due care by the producer or a third party acting on behalf of the producer. Some examples of "Force Majeure" include unscheduled surgery, the death or serious illness of the appellant or an immediate member of the appellant's family, or

Acts of God such as flash floods. When reviewing cases involving "Force Majeure", the Sub-Committee will consider how long before the deadline the event(s) occurred.

4.1.3 Submitting An Appeal

You must submit your appeal in writing to the Appeals Sub-Committee, care of the NISA Administration. The letter must clearly identify the nature of the appeal and provide sufficient information and documentation to substantiate the appeal. For example, if you missed the application deadline due to serious illness, you must explain the illness, identify the time frame of the illness and provide supporting documentation from a physician. The details surrounding the situation must be verifiable for the appeal to be upheld.

4.1.4 The Appeal Process

Upon receipt of a written appeal request from an appellant or the appellant's representative, the NISA Administration will:

- review the request to ensure all of the necessary information is included for the Sub-Committee to make a decision;
- prepare an Appeal Brief for the Sub-Committee (the Appeal Brief contains the appeal number, the nature of the appeal, a summary of the appellant's letter, the Administration's position and any other information relevant to the appeal);
- forward a copy of the Appeal Brief to the appellant or the appellant's representative and provide the appellant the opportunity to respond to the appeal brief prepared by the Administration and/or submit additional information;
- ensure the anonymity of the appellant by concealing all personal information on the request relating to the appellant or the appellant's representative (e.g., name, address, phone number, Social Insurance Number, Business Number, Participant Identification Number (PIN), names and locations of residences, businesses, financial institutions, hospitals and all other information that could potentially reveal the appellant's identity or province of residence);
- forward the Appeal Brief and a copy of the appellant's written submission (with personal information removed) to the Sub-Committee for review; and

- notify the appellant or the appellant's representative of the Sub-Committee's recommendation to the Administration once the case has been reviewed.

4.1.5 If Your Appeal Is Denied

The Appeals Sub-Committee will rehear your case only if you submit new information that was not included in your original submission. If you do not agree with the recommendation of the Appeals Sub-Committee, you may wish to consult with your legal counsel to explore other options for reviewing the recommendation.

4.2 Audits and Verification

By completing and submitting a NISA application, you are consenting to the disclosure of personal information required to administer your account. In doing so, you further consent to allow access to any information by the Minister of Agriculture and Agri-Food and the provincial Ministers of Agriculture for the purposes of audit, analysis, evaluation, program development and calculating and delivering separate program payments subject to the provisions of their respective Privacy Acts.

Participant files may be audited on a random basis or as deemed necessary to verify the accuracy of submitted information. This ensures consistent compliance with Program eligibility requirements.

Participant files may be audited to verify the accuracy of submitted information.

Audits may require the exchange of information between Agriculture and Agri-Food Canada and Canada Customs and Revenue Agency or the examination and verification of information by other appropriate means. You must maintain all books and records supporting your account information for the same length of time as books and records must be maintained under Section 230 and Regulation 5800 of the *Income Tax Act*.

Providing false information or breaching any of the eligibility conditions may result in a loss of benefits or make you ineligible to hold an account. Any deposits made to Fund 1 may be returned along with earned interest. Any government contributions, interest bonus or other accumulated interest in Fund 2 may be returned to governments. The National NISA Committee reviews these cases and recommends the time period of ineligibility and how the funds are to be dispersed.

Participants whose accounts are "on hold" as a result of an audit must continue to adhere to Program deadlines for submission of applications, DWONs, etc.

4.3 Privacy

The personal and financial information you provide to the NISA Administration will be used only for purposes of processing your NISA application, or as allowed by law (e.g., the *Farm Income Protection Act*, the *Income Tax Act* and the *Financial Administration Act*).

Once your NISA application is submitted, the information on it becomes confidential. Information will only be used as specified on the NISA application or as you instruct.

Personal information is protected under the *Privacy Act* and is stored in the Personal Informational Bank numbers AGR/P-PU-183 and RCT/P-PU-005. Information is protected from disclosure under Section 20 of the *Access to Information Act*.

4.4 National NISA Committee

As specified in Section 5(3) of the *Farm Income Protection Act* (FIPA), the National NISA Committee assists in the administration of the Program.

4.4.1 Structure

The National NISA Committee (NNC) includes a minimum of six and a maximum of ten producers appointed by the Minister of Agriculture and Agri-Food to represent commodity sectors and regions of Canada. Appointees directly or indirectly participate (or agree to participate) in the NISA Program. Producers are appointed for a maximum three year term.

Each participating province names one member to the NNC. Canada names four members to the NNC and names the chairperson of the NNC from those appointed. Each member has equal voting power.

4.4.2 Roles and Responsibilities

Subject to the general intent of FIPA and Agreement terms, the National NISA Committee advises the Minister on the following:

- eligibility for individual participation through an account held by a corporation or other entity;
- deadline and extension date changes and benefit adjustments in addition to those outlined in the Agreement;
- additional criteria for determining when and if an account should be closed and the money refunded;

- changes to the Administrative Cost Share;
- minimum dollar value of withdrawals to be authorized except upon account closure;
- the NISA Forms and Guide required for participation; and
- the impact of off-farm income on the Program (the NNC reviews the extent that participants in NISA have off-farm income and recommends to signatories methods of limiting participation by individuals with high levels of off-farm income).

The NNC may consider appeals from participants, recommend action and may establish and appoint any required sub-committees to assist in carrying out its responsibilities. The NISA Administration supplies secretariat services to the NNC.

Producer members of the Committee or sub-committees are paid for services, travel and living expenses incurred while absent from their ordinary place of residence in the manner determined by the Minister. All costs for provincial and federal members are borne by their respective governments.

Appendix A ❖ Definitions

Account: An account established within the Consolidated Revenue Fund and a financial institution for each participant.

Account Adjustment: Any adjustment to the financial information originally submitted by a participant that is used to calculate program entitlements.

Act: The Farm Income Protection Act (FIPA).

Active Participation in the Day-to-Day Farming Operation: Carrying out the physical work needed to produce and market agricultural commodities, including but not limited to machinery operation, maintenance and repairs; or participating in a wide variety of day-to-day management decisions required for the successful operation of a farming business, including but not limited to planting and harvesting, selecting crop rotations, spray schedules, rations for livestock, actions to deal with plant and livestock disease problems, maintenance schedules for machines, equipment and buildings, or the management of cash flow, taxation and financing.

Administrative Cost Share (ACS): The annual charge for Program participants covering a portion of the NISA Administration's administrative costs.

Allowance on Eligible Capital Expenditures: The income tax deduction allowed for intangible capital assets such as quotas, licenses or patents.

Application: The form prescribed or authorized by the Administration to be used by a participant to report financial information for Program purposes.

Capital Cost Allowance: The income tax deduction allowed for tangible capital assets such as machinery or buildings.

Commodity: The agricultural products (plant or animal) produced by a farming business.

Contract Work: Amounts earned or paid for services provided in a farming business such as custom combining.

Consolidated Revenue Fund: Funds on deposit with the Receiver General for Canada.

Crop Share Arrangement: A rental arrangement in which the landlord shares the risk of a crop's yield and price.

Deeming: Using a triggered withdrawal to make all or part of a matchable deposit, thereby allowing a participant to receive matching government contributions without making a deposit at a financial institution.

Dependant: A person who is related to a participant and is dependent on the participant for financial support during the stabilization year.

Eligible Expenses: The operating or input expenses associated with producing agricultural commodities. They are deducted from net sales of agricultural commodities in calculating the NISA Gross Margin.

Eligible Net Sales (ENS): Calculated by taking sales of qualifying commodities minus purchases of qualifying commodities. Each individual participating in NISA is limited to an annual maximum of $250,000.

Entity: A NISA participant other than an individual such as a corporation, cooperative, or communal organization.

Farming Income: Income earned from soil tillage, livestock raising or showing, racehorse, poultry raising, fur farming, dairy farming, tree farming, fruit growing, beekeeping, cultivating crops in water or hydroponics, Christmas tree growing, operating a wild game reserve, operating a chicken hatchery, and running a feedlot. In certain circumstances, it may include market gardening and operating a nursery or greenhouse. It does not include income earned from working as an employee in a farming business, or from trapping.

Federal/Provincial Agreement: The agreement which established and governs the NISA Program.

Financial Institution: A Canadian bank, credit union, trust company, caisse populaire, other

institution or agency which can legally hold a participant's NISA funds on deposit. They must have signed an agreement with the Government of Canada for this purpose.

Government: The federal and provincial governments executing the Federal/Provincial Agreement.

Gross Farming Income: Gross farming income as calculated for income tax purposes.

Gross Margin: Net sales of all commodities minus eligible expenses, used in the calculation of the Stabilization Trigger.

Inventory: The tangible property of a farming business which is:

- held for sale (for example, harvested grain),
- used in the production of saleable goods (for example, seed, feed),
- in the process of being produced (for example, standing crops, feeder livestock).

Inventory Adjustment (Mandatory): A mandatory adjustment to net loss for income tax purposes based on the value of purchased inventory on hand.

Inventory Adjustment (Optional): An inventory election adjusting net income (or loss) for income tax purposes. It is calculated on the difference between the fair market value of inventory and the mandatory inventory adjustment.

Matchable Deposits: Participant deposits based on a percentage of Eligible Net Sales up to an established maximum. These deposits are matched with government contributions.

Member: A person who is part of an organization which by law acts as an agent on behalf of its members and generally allows no member to have more than one vote in conducting its affairs.

National NISA Committee (NNC): The national committee established under the NISA Federal/Provincial Agreement to assist in the administration of the Program.

Net Farming Income Before Adjustments: A farm business' profit/loss calculated before adjustments are made for income tax purposes.

Net Income: Net income as calculated for income tax purposes. For corporations, this is net income calculated prior to payment of dividends to shareholders. For cooperatives, this is net income calculated prior to income allocations to members and for trusts this is net income calculated prior to income allocations to beneficiaries.

Net Sales: A participant's sales (including related program payments) minus purchases of all agricultural products.

Non-Matchable Deposits: Participant deposits up to 20% of Eligible Net Sales that are not matched with government matching contributions.

Participant: The holder of a NISA account.

Participant's Response: A participant's response to the deposit and/or withdrawal options calculated and issued to the participant by the Administration.

Payment-in-Kind: The value of a commodity given to or received from another party as payment instead of cash.

Qualifying Commodities: Agricultural commodities qualifying for the NISA Program.

Salaries: Salaries, wages, dividends, bonuses and other monetary transfers deductible in computing net farming income.

Spousal Trust: A trust created by a participant in which the spouse is entitled to receive the trust's income or capital.

Spouse: A person legally married to a participant or who has lived common-law with the participant for a period of 12 months or longer.

Stabilization Year: The period for which a participant files an income tax return.

Appendix B ❖ Qualifying Point of Sale Adjustments

Revenues and expenses recognized in the calculation of farming income (loss) by Canada Customs and Revenue Agency are also recognized by NISA provided that:

- you can demonstrate ownership of the product through identity preservation and bear full direct risk for the commodity; and
- you must have a separate billing or accounting transaction clearly showing the commodity sales value and any deductions from the commodity sales value.

Below is a list of the most common qualifying point of sale adjustments:

Grains, Oilseeds, and Special Crops	Livestock	Horticulture
Association/commodity organization dues	Auction fees	Acreage measurement
Custom Work (drying, field spraying, trucking related to production inputs, soil testing)	Association/Commodity organization dues	Advertising/promotion
Freight, elevation/handling (producer and agent-administered cars)	Brand inspection	Association/Commodity organization dues
Fertilizer, pesticides and chemicals	Custom work (trucking related to production inputs)	Chemical application
Grading and inspection	Export levies	Co-operative charges
Interest	Freight related to marketed product	Custom work (field spraying, harvesting, trucking related to production inputs, soil testing)
Farm supply accounts, excluding seeds and plants	Grading and inspection	Distribution/freight related to marketed product
Marketing board, commission, agency, selling fees	Handling	Export levies
Research fees	Interest	Fertilizers, pesticides and chemicals
Storage	Marketing board, commission, agency, selling fees	Field inspection
	Medicine	Grading and inspection
	Other farm supplies	Interest
	Research fees	Marketing board, commission, agency, selling fee
	Yardage	Other farm supplies excluding seeds and plants
		Packing
		Research fees
		Sorting
		Storage
		Washing
		Waste Charge

Index

Access to Information Act, 41
Account Balance Limit, 16, 18
  appears on DWON, 18
  late applications, 10
Accounting, method of
  cash or accrual, 14
  inventory adjustments, 15
Active Participation
  defined, 43
Administrative Cost Share, 8, 16, 34, 37
AGR-1, 7, 34
Annual Account Statement, 7, 37
Appeals, 38
Appeals Sub-Committee, 38
  late applications, 9
Application, 6
  deadlines, 9
  deadlines, consequences, 10
  interim withdrawals, 11, 28
  packages, 4
  process, 6
Audits, 40
Business expense, 15
Closing your NISA account, 33
  estate, 32
Communal Organizations
  deposit limits, 23
  transfer, 32
Confirmation Notice, 7
Consequences of Not Submitting, 10
Consolidated Revenue Fund, 2, 19
Cooperatives
  deposit limits, 23
DEADLINES, 9
  adjustment , 12
  application, 9
  deposit, 10
  interim withdrawals, 11
Debts Due to the Crown, 28, 36
Deeming, 21
  automatic, 21
  deadline, 11
  tax Implications , 21
Deposit , 7
  bonus, 20
  deadline, 10
  excess, 22
  limits, 22
  limits, entities, 22
  making a, 20
  pre-deposits, 22
Deposit/Withdrawal Options Notice (DWON), 2, 6, 10, 23
Divorce, 30
Eligibility, 4
  entities, 5
  individuals, 4
  landlords, 4
  partnerships, 5
  Status Indians, 5
  trusts, 6
Eligible Expenses, 9
Eligible Net Sales, 8, 12, 20
  account balance limit, 18
  Adjustments , 12
  annual limits, 22
  calculation of deposit entitlements, 20
  late applications, 10
Entities, 5
  communal organization, 6
  cooperative, 6
  corporation, 5
  deposit limits, 22
  holding company, 6
  individuals leaving, 36
  landlord, 4
  participating through, 5
Expenses, 9
Farm Income Protection Act, 1, 39
Financial institution, 17
  withdrawals, 23
Fund 1 and Fund 2, 16
Futures, 15
Gross Margin, 8
  to determine the Stabilization Trigger, 24
Income, 8
Income Tax Act, 40
Interest, 19
  Bonus, 19
  late applications, 10
Interim withdrawals, 28
  deadline, 11
National NISA Committee, 38, 41-2
Net income, 27
  entities, 25
Net Income Stabilization Account (NISA)
  as a safety net, 2
  how money grows, 3
  program overview, 2
Non-Eligible Expenses, 9
Opt outs, 33
  account transfers, 31
  estate, 32
  mandatory, 35
  rejoining, 35
  voluntary, 33
Partnerships, 5
Payment in Kind, 15
Point of Sale, 14
Privacy, 41
Privacy Act, 41
Rejoining, 35
Separation/divorce, 18, 30
Stabilization Trigger, 8
Status Indians, 5
Tax, 36
  interim withdrawals, 29
Transfers
  communal organization, 32
  individual to corporate account, 31
  other, 33
  to the spouse, 32
Trusts
  eligibility, 6
Withdrawal Authorization Notice (WAN), 23
Withdrawals, 7
  calculations, 24
  deadline, 10
  minimum income trigger, 26
  minimum income trigger - Entities, 27
  refusing a, 28
  requesting a , 23
  stabilization trigger, 24
  taxability, 36

PRIVACY AND CONFIDENTIALITY

The personal and financial information provided to the NISA Administration will be used only for purposes stated in this guide, or as allowed by law (Farm Income Protection Act, the Income Tax Act and the Financial Administration Act).

The information contained on your NISA application is confidential. Information will not be given to anyone outside the NISA Administration and the Canada Customs and Revenue Agency for verification purposes unless authorized by law or by you.

To ensure that the information remains confidential, the NISA Administration uses the following procedures:

- **If telephoning** the NISA Administration to obtain information about your account, you will be asked:
  - for your name, address, Social Insurance Number; and
  - specific questions about your NISA account.

  For example, you may be asked how much your net income was, or how much was deposited to the account.

- **If you visit** the NISA Administration to obtain information about your account, you will be asked to provide:
  - one piece of identification with your signature and picture, or
  - two pieces of identification with your signature along with a copy of the NISA Deposit/Withdrawal Options Notice, the Confirmation Notice, the NISA Annual Statement, a working copy of the NISA application, or specific details of the account.

- **If your representative visits** the NISA Administration office seeking information about your account, your representative must show two pieces of identification and have authorization from you. The authorization can be the consent provided on your NISA application form or a signed letter of authorization. A letter of authorization must contain:
  - your name;
  - your Social Insurance Number;
  - your representative's name;
  - year(s) the authorization applies to; and
  - your signature.

  Account information will only be released once we verify the signature on the letter of authorization.

- **If a representative (including your spouse) telephones** for information about your account, there must be authorization on file (consent on your NISA application form or a letter of authorization). After we check that you have provided written authorization and ask specific questions about your account, your representative will be given the information. If there is no authorization on file, we will provide you with the information instead.

IMPORTANT

If this package is not in the language of your choice, you may obtain a package in the other official language by calling or writing to:

Net Income Stabilization Account Administration
P.O. Box 6100
Winnipeg, Manitoba
R3C 4N3

1-800-665-6472 (NISA)

Si les documents ne vous sont pas présentés dans la langue de votre choix, vous pouvez les faire venir dans l'autre langue officielle en téléphonant ou en écrivant à:

Administration du Compte de stabilisation du revenu net
Case postale 6100
Winnipeg (MB) R3C 4N3

1-800-665-2776 (CSRN)

For more information...

Contact the NISA Administration toll-free at 1-800-665-6472.
You can also write to the NISA Administration at the following address:

NISA Administration
P.O. Box 6100
Winnipeg, MB R3C 4N3

Facsimile: (204) 984-3717

Pour obtenir des renseignements en français, composez le ***1-800-665-2776 (CSRN).***

Vous pouvez également écrire à l'Administration du CSRN à l'adresse suivante:

Administration du CSRN
Case postale 6100
Winnipeg (MB) R3C 4N3

N° de télécopieur: 204 984-3717